

**R277. Education, Administration.**

**R277-420. Aiding Financially Distressed School Districts.**

**R277-420-[2]1. Authority and Purpose.**

~~[A-](1)~~ This rule is authorized by:

~~(a) Utah Constitution Article X, Section 3, which vests general control and supervision over public education in the Board;~~

~~(b) Section 53A-1-401, which allows the Board to make rules to execute the Board's duties and responsibilities under the Utah Constitution and state law; and~~

~~(c) Subsection 53A-19-105(5), which requires the Board to develop standards for defining and aiding financially distressed school districts[, and Section 53A-1-401(3) which permits the Board to adopt rules in accordance with its responsibilities].~~

~~[B-](2)~~ The purpose of this rule is to specify ~~[the]~~ eligibility requirements ~~[for]~~ and ~~[the]~~ procedures for nonrecurring or nonroutine interfund transfers for financially distressed school districts.

**R277-420-[4]2. Definitions.**

~~[A. "Board" means the Utah State Board of Education.]~~

~~[B-](1)(a)~~ "Interfund transfer" means a transaction which withdraws money from one fund and places it in another without recourse.

~~(b) An [H]interfund transfer[s-are] is~~ regulated by statute and Board rules.

~~(c) "Interfund transfers" do not include interfund loans in which money is temporarily withdrawn from a fund with full obligation for repayment during the fiscal year.~~

~~[C. "School district," for purposes of this rule, means school district under the direction of the local board of education.]~~

~~— D. "State Superintendent" means the State Superintendent of Public Instruction. For purposes of this rule, the Board's designee is the State Superintendent.~~

~~— E. "USOE" means the Utah State Office of Education.]~~

~~[F-](2)~~ "Without recourse" means there is no obligation to return withdrawn money to the fund from which it was transferred.

**R277-420-3. Eligibility.**

~~[To qualify as a financially distressed school district, a school district shall meet all of the following requirements:]~~

~~(1) A school district may qualify as financially distressed if the district:~~

~~[A. Have] (a) has~~ a deficit of three percent or more in its year end unappropriated maintenance and operation fund balance following a reduction for any amount in an undistributed reserve~~[-];~~

~~[B. Be] (b) is~~ unable to meet its financial obligations in a timely manner~~[-];~~

~~[C. Be] (c) is~~ unable to reduce the maintenance and operation deficit by ~~[twenty-five] 25~~ percent in its budget for the next year~~[-];~~

~~[D. Have] (d) can demonstrate that it has~~ made reasonable, local efforts to eliminate the deficit~~[-];~~

~~[E. Be] (e) is~~ financially incapable of meeting statewide educational standards adopted by the Board~~[-]; and~~

~~[F. Have] (f) has~~ a deficit resulting from circumstances not subject to administrative decisions.

~~(2) The Superintendent shall evaluate the criteria outlined in Subsection (1) and~~

make a determination on whether a district is financially distressed ~~[This judgment shall be made]~~ following an on-site visit and consultation with the school district and local school board ~~[by USOE staff]~~.

#### **R277-420-4. Procedures for Making Interfund Transfers.**

~~[A.](1) A local school board [applying to qualify] may apply for an interfund transfer under this rule [shall request that the USOE visit the school district, conduct an audit, and assist the local school board and district staff in developing a plan to eliminate the deficit.] by filing a request with the Superintendent, which shall include:~~

~~(a) evidence that the district meets the criteria set forth in Section R277-420-3; and~~

~~(b) a plan to eliminate the district's budget deficit.~~

~~(2) As part of a district application under Subsection (1)(a), the Superintendent shall:~~

~~(a) visit the school district; and~~

~~(b) conduct a financial analysis.~~

~~[B. The school district shall meet the eligibility requirements of R277-420-3 and be approved as a financially distressed school district by the Board or its designee.]~~

~~(3) The Superintendent may only approve an interfund transfer under this rule if the Superintendent determines that:~~

~~(a) the district meets the eligibility requirements of Section R277-420-3; and~~

~~(b) the district's request does not conflict with Subsection 53A-19-105(6)(d).~~

~~(4) The Superintendent shall advise the Board of any transfers approved under this rule at the next regularly scheduled Board meeting.~~

~~[C.](5) A school district designated as financially distressed may make nonrecurring or nonroutine interfund transfers to the district's maintenance and operation fund upon the approval of the [Board or its designee] Superintendent and in accordance with the plan submitted by the district under Subsection (1)(b).~~

~~[D.](6) [The] An interfund transfer shall be established by [the] a school district under the direction of the local school board in an undistributed reserve account consistent with Section 53A-19-103.~~

**KEY: education finance**

**Date of Enactment or Last Substantive Amendment:** ~~[November 8, 2012]~~2017

**Notice of Continuation:** ~~[September 14, 2012]~~2017

**Authorizing, and Implemented or Interpreted Law:** 53A-19-105; 53A-1-401~~[(3)]~~; 53A-19-103